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Lytton Minerals Limited 1970 Annual Report

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Lytton Minerals Limited

(Incorporated under the laws of British Columbia)

Directors

G. H. DUFF
W. C. HOWARD
E. KOBLANSKI
J. W. LAY
B. C. MACDONALD
S. P. OGRYZLO
R. A. WHITE

Officers

E. KOBLANSKI, President
J. W. LAY, Secretary
F. VAN DE WATER, Treasurer

Head Office

602 West Hastings Street, Vancouver

Registrar and Transfer Agent

Guaranty Trust Company of Canada
Vancouver and Toronto

Auditors

Deloitte, Plender, Haskins & Sells

Solicitor

R. A. White

Directors' Report

To the Shareholders:

The directors take pleasure in presenting this report of the Company's exploration activities and the audited financial statements for the year ended April 30, 1970.

In order to finance the cost of exploration during 1970 an offer, in October, 1969, to the shareholders to purchase one new share at \$3.25 for every 10 shares held resulted in the sale of 375,006 shares for \$1,219,000. As in the two previous years most of the expenditures were made on the La Verde copper prospect in Mexico where two low-grade porphyry-type copper deposits, mineable by open-pit methods, are being developed by underground adit work and surface and underground diamond drilling.

Mexico — La Verde Mine

The La Verde mine and adjacent properties, which are located 30 miles south of Uruapan, State of Michoacán, are owned by a Mexican company known as Minas del Otoño, S.A. (Minosa). Your company has an option to purchase all of the "B" shares of the company, representing 49% of the share capital and in addition has the right to designate the Mexican companies or nationals who may purchase or acquire the "A" shares, representing 51% of the share capital. The mineral holdings cover a range of hills composed of an intrusive complex of diorite, monzonite, quartz-feldspar porphyry and intrusive breccias and total more than 9,000 acres in a contiguous group measuring approximately 5.3 miles by 3.0 miles. Two main deposits are being investigated; these are known as the East Hill and West Hill deposits and are one mile apart. Mineralization consists of chalcopyrite, bornite, pyrite, pyrrhotite and minor molybdenite and occurs as veins, stringers and disseminations in all of the rocks, but mainly in the monzonite and quartz-feldspar porphyry breccias and in the diorite. Because of the erratic distribution of the mineralization relatively close drilling is required to establish ore reserves and grade.

A summary of the work completed during the year and to date follows:

	Year to April 30, 1970	Cumulative Total to April 30, 1970
Underground tunnelling	2,718 ft.	4,827 ft.
Surface diamond drilling	29,203 ft. (29 holes)	43,138 ft. (51 holes)
Underground diamond drilling	5,705 ft. (18 holes)	6,475 ft. (22 holes)
Surface percussion drilling	312 ft. (2 holes)	7,192 ft. (52 holes)
Underground percussion drilling	4,872 ft. (41 holes)	10,804 ft. (93 holes)
Induced polarization surveys	6.3 miles of line	94 miles of line
Geochemical and magnetometer surveys		40 miles of line

In support of the above work, some 16 miles of access roads were built and facilities for sample preparation, core storage and office were provided.

East Hill Deposit

This deposit comprises three main zones of mineralization, known as the No. 1, No. 2 and No. 3 orebodies, in an area 1,300 feet by 1,800 feet: The copper mineralization is approximately 60% bornite and 40% chalcopyrite. The average indicated grade is 0.79% copper. The material between the orebodies is not entirely barren and averages 0.18% copper. The No. 1 orebody has been explored in greatest detail and contains most of the proven ore. It now appears likely that the above zones might be mineable in a single open-pit with a waste to ore ratio of 2:1. Possibilities exist for extensions of the known zones and the discovery of other zones.

West Hill Deposit

This deposit occurs in diorite and consists of a series of steep dipping en echelon bands of alteration and mineralization ranging in length from 400 to 800 feet, over a total zone

width of 1,800 feet. The mineralization is principally chalcopyrite, pyrite, pyrrhotite, and arsenopyrite. The average indicated grade of the ore bands is 0.94% copper and the relatively unaltered diorite between the bands grades from 0.05 to 0.20%.

Because of the en echelon distribution of the ore bands detailed drilling is required to establish ore reserves and grade. As in the case of the East Hill there are possibilities for the discovery of other zones in the vicinity of this deposit.

Indicated Ore Reserves

East Hill (after allowing for 10% dilution)

Zone	Proven Ore		Probable Ore		Total	
	Tons	Grade	Tons	Grade	Tons	Grade
No. 1	8,980,000	0.83%			8,980,000	0.83%
No. 2	1,334,000	0.73%	2,835,000	0.73%	4,169,000	0.73%
No. 3	1,449,000	0.68%	11,290,000	0.67%	12,739,000	0.67%
Totals	11,763,000	0.80%	14,125,000	0.68%	25,888,000	0.74%

West Hill (after allowing for 20% dilution)

Probable Ore		Possible Ore		Total	
Tons	Grade	Tons	Grade	Tons	Grade
17,820,000	0.82%	11,774,000	0.80%	29,594,000	0.81%

Total Indicated Reserves

	Tons	Grade
Proven	11,763,000	0.80%
Probable	31,945,000	0.76%
Possible	11,774,000	0.80%
	<u>55,482,000</u>	<u>0.78%</u>

Future Programs

Considerable underground adit work and diamond drilling still remain to be done to prove up the probable and possible tonnages and to delimit the known orebodies. Some bulk sampling of the orebodies is planned and further metallurgical testing will be undertaken. In addition, several interesting new anomalies indicated by the induced polarization surveys in the vicinity of the East and West deposits will require investigation. As these programs near completion, feasibility studies for production will be undertaken. It can be said however that an attractive open-pit mining operation is indicated. The deposits are favorably located with respect to adequate supplies of power, water and labor. A railway and a paved highway pass within 3 miles of the mine area. The waste to ore stripping ratio will be approximately 2:1. Excessive pre-stripping will not be required. Good recoveries and high concentrate grades are indicated by preliminary metallurgical testing.

Other Exploration

In Mexico, two other interesting copper prospects have been optioned and will be investigated.

In Western Canada, minor programs were completed on the Dease Lake and Pitquah copper prospects in British Columbia and some prospecting was conducted in the Yukon.

On behalf of the Board of Directors

E. Koblenz

President.

Vancouver
August 14, 1970

Balance Sheet

	April 30 1970	April 30 1969
Current Assets		
Cash	\$ 3,884	\$ 24,766
Short-term securities	588,709	280,000
Accounts receivable—associated companies	73,901	1,721
— other	4,658	1,785
	<u>671,152</u>	<u>308,272</u>
Investments in Mining Projects—note 1		
Minas del Otoño, S.A.—note 2		
Option to purchase shares	223,627	93,877
Advances	1,077,209	422,210
Direct expenditures	165,054	116,580
Deas Lake Mines Ltd.—note 3		
Shares	139,472	139,472
Loans	193,797	189,900
Joint venture	—	7,220
	<u>1,799,159</u>	<u>969,259</u>
Fixed Assets, at cost		
Automotive and survey equipment	9,568	11,068
Less: Accumulated depreciation	7,386	6,204
	<u>2,182</u>	<u>4,864</u>
Other Assets—note 4		
Exploration and development expenditures, at cost less amount written off	148,647	126,022
	<u>\$2,621,140</u>	<u>\$1,408,417</u>

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Liabilities and Shareholders' Equity

	April 30 1970	April 30 1969
Current Liabilities		
Accounts payable — associated companies	\$ 13,480	\$ 10,943
— other	30,934	7,991
Amount owing to joint venture	—	3,369
	<u>44,414</u>	<u>22,303</u>

Shareholders' Equity

Share capital, Class 'A' common shares of no par value with a maximum issue price of \$4.00 per share — note 5.

Authorized: 5,000,000 shares

Issued: 4,125,070 shares (1969 — 3,750,064 shares)	2,786,276	1,567,506
Deficit	209,550	181,392
	<u>2,576,726</u>	<u>1,386,114</u>

<u>\$2,621,140</u>	<u>\$1,408,417</u>
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Signed on behalf of the Board:

E. Koblenzki

Director

James W. Le

Director

Lytton Minerals Limited

Statement of Loss and Deficit

	Year Ended	April 30 1970	April 30 1969
Corporate and Administrative Costs			
Rent	\$	4,800	\$ 4,800
Office and general		11,967	9,954
Telephone and telegraph		3,491	3,206
Transfer agent and listing fees		7,520	7,357
Professional fees		2,192	2,804
		<u>29,970</u>	<u>28,121</u>
Interest income		34,803	26,339
(Income) loss for the year before write-offs		(4,833)	1,782
Joint venture exploration expenditures		9,048	11,437
Exploration costs on abandoned properties		5,987	49,618
Loss for the year		10,202	62,837
Deficit, beginning of year		181,392	118,555
Financing expense — rights issue		17,956	—
Deficit, end of year	\$	<u>209,550</u>	<u>\$ 181,392</u>

Statement of Source and Application of Funds

	Year Ended	April 30 1970	April 30 1969
Source of Funds			
Issue of shares	\$1,200,814	\$ 635,000	
Income (loss) for the year before write-offs	4,833	(1,782)	
Sundry	2,682	—	
	<u>1,208,329</u>	<u>633,218</u>	
Application of Funds			
Investment in Minas del Otoño, S.A.	833,223	442,106	
Loans to Deas Lake Mines Ltd.	3,897	99,900	
Sundry	1,828	1,764	
Exploration and development expenditures:			
British Columbia	22,625	17,934	
Yukon and other	5,987	21,985	
	<u>867,560</u>	<u>583,689</u>	
Increase in working capital	340,769	49,529	
Working Capital, beginning of year	285,969	236,440	
Working capital, end of year	<u>\$ 626,738</u>	<u>\$ 285,969</u>	

Notes to Financial Statements

1. Investments in Mining Projects

The investments are shown at cost with the exception of the joint venture where amounts expended on abandoned properties have been written off.

2. Minas del Otoño, S.A.

Minas del Otoño, S.A. (MINOSA) a Mexican corporation, owns certain mining properties in the State of Michoacán, Republic of Mexico. Under the terms of an agreement with the shareholders of MINOSA, the Company has the right to purchase in its name and in the name of Mexican citizens or companies designated by it, all the outstanding shares of the company. This purchase option expires on August 4, 1972 and approximately \$8,000 of the purchase price remains to be paid.

The laws of the Republic of Mexico require 51% of the issued shares of the company to be owned by Mexican citizens or by Mexican companies having the majority of their share capital owned by Mexican citizens approved by the Mexican authorities.

The investment in MINOSA is represented by the following:

	April 30	
	1970	1969
Working capital (deficiency) in Mexico	\$ (37,000)	\$ 34,000
Exploration and development:		
Examination, cost of property acquisition	286,000	147,000
Mapping, sampling, surveying	297,000	106,000
Drilling	569,000	191,000
Supervision, travel, site costs	188,000	95,000
Fixed assets ..	163,000	60,000
	<u>1,503,000</u>	<u>599,000</u>
	<u>\$1,466,000</u>	<u>\$ 633,000</u>

3. Deas Lake Mines Ltd.

The investment in shares of Deas Lake Mines Ltd. represents a 44% interest in the company. Development of the property is being financed by loans from the company and Mitsui Mining & Smelting Co. Limited, which holds an equal interest in the project. Since the loans (including interest at 6%) are repayable out of profits, no interest has been accrued by the Company. A summary of the audited financial statements of Deas Lake Mines Ltd. at April 30, 1970 is as follows:

	April 30	
Assets	1970	1969
Exploration and development		
Examination, cost of property acquisition	\$ 95,000	\$ 95,000
Mapping, sampling, surveying	52,000	46,000
Drilling	473,000	473,000
Supervision, travel, site costs	108,000	106,000
	<u>\$ 728,000</u>	<u>\$ 720,000</u>
Liabilities and Shareholders' Equity		
Net current liabilities	\$ 1,000	\$ 1,000
Loans from shareholders	431,000	422,000
Share capital, less deficit	296,000	297,000
	<u>\$ 728,000</u>	<u>\$ 720,000</u>

4. Exploration and Development Expenditures

The exploration and development costs to date on properties being examined are as follows:

	April 30	
	1970	1969
Examination, cost of property acquisition	\$ 23,000	\$ 23,000
Mapping, sampling, surveying	37,000	20,000
Drilling	51,000	51,000
Supervision, travel, site costs	38,000	32,000
	<u>\$ 149,000</u>	<u>\$ 126,000</u>

5. Share Capital

During the year, the authorized share capital was increased from 4,000,000 shares to 5,000,000 shares and the maximum issue price was increased from \$3.00 per share to \$4.00 per share.

375,006 shares were issued during the year, for a total cash consideration of \$1,218,770.

Auditors' Report

DELOITTE, PLENDER, HASKINS & SELLS

3200 Royal Trust Tower
Toronto-Dominion Centre
Toronto 111, Ontario

To the Shareholders of Lytton Minerals Limited:

We have examined the balance sheet of Lytton Minerals Limited as at April 30, 1970 and the statements of loss and deficit and of source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. As to the company's investment in Minas del Otoño, S.A., we were furnished with the report of other accountants on their examination of the financial statements of that company.

In our opinion, which insofar as it relates to the company's investment in Minas del Otoño, S.A. is based solely on the report of other accountants, these statements present fairly the financial position of the company as at April 30, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte, Plender, Haskins & Sells

July 31, 1970.

Chartered Accountants.

LYTTON MINERALS LIMITED

INFORMATION CIRCULAR

This Information Circular is sent in connection with the solicitation of proxies by or on behalf of the management of Lytton Minerals Limited (hereinafter sometimes called the "Company") for use at the Annual Meeting of the Shareholders of the Company to be held at the time and place and for the purposes set forth in the Notice of Meeting.

The solicitation will be initially by mail but proxies may also be solicited by regular employees of the Company. The cost of such solicitation will be borne by the Company.

VOTING OF PROXIES

THE SHARES REPRESENTED BY THE FORM OF PROXY ENCLOSED HERewith WILL BE VOTED AND, WHERE A CHOICE WITH RESPECT TO ANY MATTER TO BE ACTED UPON HAS BEEN SPECIFIED IN THE FORM OF PROXY, THE SHARES SHALL, SUBJECT TO SECTION 166G OF THE SECURITIES ACT, 1967 (BRITISH COLUMBIA), BE VOTED IN ACCORDANCE WITH THE SPECIFICATION SO MADE. WITH RESPECT TO MATTERS AS TO WHICH A CHOICE IS NOT SO SPECIFIED IT IS INTENDED TO VOTE THE SHARES REPRESENTED BY THE FORM OF PROXY IN FAVOUR OF EACH SUCH MATTER. THE FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.

A SHAREHOLDER GIVING A PROXY IN THE FORM ENCLOSED HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE IT IS EXERCISED.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY. TO EXERCISE THIS RIGHT THE SHAREHOLDER MAY INSERT THE NAME OF THE DESIRED PERSON IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR MAY SUBMIT ANOTHER FORM OF PROXY. THE BRITISH COLUMBIA COMPANIES ACT PROVIDES THAT A PERSON ACTING AS A PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A PROXY, TO BE VALID, MUST BE FILED WITH THE SECRETARY OF THE COMPANY AT LEAST TWO CLEAR DAYS PRIOR TO THE MEETING.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

The Company's capital consists of 5,000,000 Class "A" common shares of no par value of which 4,537,577 shares are outstanding. Every shareholder at the date of the Annual Meeting is entitled to as many votes as he holds shares in the Company.

The Company has been informed that The Patiño Mining Corporation (N.P.L.) (hereinafter sometimes called "Patiño") owns directly or indirectly 2,525,825 shares which represents approximately 55.7% of the common shares outstanding.

ELECTION OF DIRECTORS

The following information is furnished with respect to the persons it is proposed shall be nominated for election as Directors.

<u>Name</u>	<u>Other Positions and offices held with the Company</u>	<u>Principal Occupations or Employment</u>	<u>Period served as a Director</u>	<u>Approximate number of shares of the Company beneficially owned directly or indirectly</u>
G. Gutierrez	None	Vice-President, The Patiño Mining Corporation.	1970 to date	Nil
W. C. Howard	None	Executive and Vice-President of MacCoshams Van Lines Ltd.	1963 to date	24,324
E. A. Koblanski	Vice-President	Mining Executive.	1963 to date	29,454
J. W. Lay	Secretary	Secretary, The Patiño Mining Corporation.	1966 to date	1,000
B. C. Macdonald	None	Consulting Geologist.	1968 to date	13,110
S. P. Ogryzlo	President	Vice-President, The Patiño Mining Corporation.	1963 to date	5,500
R. A. White	Assistant Secretary	Barrister and Solicitor.	1967 to date	531

The term of office of each Director is until the next succeeding Annual General Meeting or until his successor is elected.

Forms of Proxy given pursuant to this solicitation are intended to be voted for the election of the foregoing persons as directors. The Management of the Company believes that all are capable and willing to serve as directors, but, if for some reason any of the proposed nominees is unable to serve, the persons named in the enclosed form of Proxy will use their best judgment in voting on alternative nominees.

REMUNERATION OF MANAGEMENT AND OTHERS

No direct remuneration was paid or is payable by the Company to the Directors or senior officers of the Company during the Company's last completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Pursuant to the offer to shareholders to purchase one new share for every ten shares held at the close of business November 25, 1970 at \$3.00 per share, Patiño, and its wholly owned subsidiary Noray Mining Limited (Noray), purchased 211,379 and 1,479 shares respectively. At no cost to the Company the rights issue was underwritten by Noray who purchased 199,649 shares not subscribed for by the shareholders.

APPOINTMENT OF AUDITORS

It is proposed that Messrs. Deloitte, Haskins & Sells, Chartered Accountants, the Company's auditors, be re-appointed. They were first appointed auditors of the Company in 1963. Forms of proxy given pursuant to this solicitation by the management of the Company will be voted for their re-appointment at a remuneration to be fixed by the Board of Directors.

PARTICULARS OF MATTERS TO BE ACTED UPON

It is proposed and if thought fit to pass an ordinary resolution authorizing the Directors, on behalf of the Company, to take or acquire shares by purchase or otherwise in other companies.

GENERAL

The management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if any other matters which are not now known to the management of the Company should properly come before the Meeting, forms of proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgment of the person voting the proxy.

DATED as of March 8, 1971.

